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ACTION NEA-12

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AGR-20 EUR-25 STR-08 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 OMB-01 RSR-01 /190 W

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TO SECSTATE WASHDC 5776

INFO AMEMBASSY DACCA

AMCONSUL BOMBAY

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AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ECON, PINT, IN

SUBJ: PARLIAMENTARY DEBATE ON ECONOMIC PROBLEMS

SUMMARY: OPENING DAY DEBATE ON RISING PRICES AND FOOD-
GRAIN SHORTAGES FOUND OPPOSITION SPEAKER SHARPLY CRITICAL
AND GOVERNMENT BENCHES DEFENSIVE OR COMPLACENT. OPPOSITION,
LED OFF BY PRO-MOSCOW COMMUNIST PARTY OF INDIA, HIT
GOVERNMENT ON DEFICIT SPENDING, ILL-ADVISED AND/OR POORLY
IMPLEMENTED WHEAT TRADE TAKEOVER DECISION, AND COLLUSION
BETWEEN HOARDERS AND CONGRESS. GOVERNMENT CALLED INFLATION
"PASSING PHASE", ASSUMED PARLIAMENT ECONOMY AND GOI

POLICIES WERE BASICALLY SOUND, BUT REFUSED TO OUTLINE
FOODGRAIN IMPORT PLANS OR OTHER NEW AMELIORATIVE MEASURES.
INEVITABLY, OPPOSITION MOTION WAS DEFEATED BY LARGE CON-
GRESS MAJORITY. MOST MP'S, INCLUDING CONGRESS, ARE

SERIOUSLY CONCERNED OVER DOMESTIC ECONOMIC SITUATION BUT
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SEE PARLIAMENT AS ESSENTIALLY INEFFECTIVE IN PROVIDING

SOLUTIONS AND UNABLE TO FORCE GOVT'S HAND ON ECONOMIC POLICY. END SUMMARY.

1. ON FIRST DAY OF MONSOON SESSION OF PARLIAMENT JULY 23, FIRST ORDER OF BUSINESS IN LOK SABHA (LOWER HOUSE) WAS ADJOURNMENT MOTION ON RISING PRICES AND FOODGRAIN SHORTAGES. ADJOURNMENT MOTION WAS SPONSORED BY ALL OPPOSITION PARTIES, INCLUDING CPI.

2. ARTICULATE CPI LEADER INDRAJIT GUPTA BEGAN DEBATE BY CLAIMING BURDEN OF INFLATION IS FALLING HEAVIEST ON POOR AND MIDDLE CLASSES AND EXPRESSING FEAR THAT FAMINE CONDITIONS IN SOME RURAL AREAS WOULD SPREAD TO CITIES. HE URGED "HALF-HEARTED AND WEAK-KNEED" GOVERNMENT TO TAKE A FIRMER HAND WITH HOARDERS. GUPTA SAW "RECKLESS DEFICIT FINANCING" AS CAUSE OF INFLATION. JANA SANGH SPOKESMAN JAGANNATH RAO JOSHI DENIED THAT HIS PARTY MEMBERS HAD URGED FARMERS TO WITHHOLD GRAIN FROM GOVERNMENT PROCURERS. HE AND OTHERS CRITICIZED EITHER GOVERNMENT DECISION TO TAKE OVER WHEAT TRADE OR ITS INABILITY TO IMPLEMENT DECISION. MARXIST COMMUNIST LEJFZE JYOTIRMOY BASU AND SWATANTRA STALWART PILOO MODY ALLEDGED THAT GOVERNMENT WAS UNABLE TO CHECK RISING PRICES BECAUSE CONGRESS WAS IN LEAGUE WITH FOOD PROFITEERS AND DEPENDED ON THEM FOR CAMPAIGN FUNDS.

3. ARGUMENTS IN GOVERNMENT'S DEFENSE WERE MADE BY FINANCE MINISTER Y.B. CHAVAN, WHO SOMEWHAT LAMELY BLAMED RISING PRICES ON LAST YEAR'S BANGLADESH REFUGEE EXPENDITURES AND POOR 1972 SUMMER MONSOON. HE CHARACTERIZED HEAVY DOSE OF DEFICIT FINANCING AS "UNAVOIDABLE" AND REVERTED TO CLICHE THAT INFLATION COULD ONLY BE CHECKED BY INCREASING PRODUCTION. CHAVAN CLAIMED COUNTRY'S ECONOMY WAS BASICALLY HEALTHY AND GOVERNMENT POLICIES SOUND; CURRENT DIFFICULTIES WERE ONLY "PASSING PHASE". HE DID ADMIT PRICE RISE WAS "UNUSUAL AND UNPRECEDENTED". GOVERNMENT POLICY WAS ALSO DEFENDED BY CONGRESS LEFTISTS R.K.HTINHA, CHANDRAJIT YADAV, AND AMRIT NAHATA. THEY ARGUED GOVERNMENT FOODGRAIN PROCUREMENT/DISTRIBUTION HAD KEPT 8.5 MILLION ALIVE. ADJOURNMENT MOTION WAS DEFEATED LIMITED OFFICIAL USE

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AFTER FIVE-HOUR DEBATE. (HAD MOTION PASSED--IMPOSSIBLE IN VIEW CONGRESS MAJORITY--GOVERNMENT WOULD HAVE FALLEN.)

4. IN RAJYA SABHA (UPPER HOUSE), AGRICULTURE MINISTER F.A. AHMED FACED SIMILAR ENFILADING FIRE FROM OPPOSITION BENCHES. HIS BLAND STATEMENT THAT GOVERNMENT WAS TAKING ALL STEPS TO ENSURE THAT SITUATION DID NOT WORSEN WAS DENOUNCED AS "CAVALIER". AHMED ADMITTED GRAIN PROCUREMENT FROM

RECENTLY-HARVESTED SPRING CROP WAS LAGGING BUT DENIED STARVATION DEATHS ANYWHERE IN COUNTRY. HE ARGUED PRICE RISE HAD BEEN TEMPERED BY GRAIN DISTRIBUTION THROUGH "FAIR PRICE" SHOPS. DESPITE URGING BY CPI LEADER BHUPESH GUPTA, AHMED REFUSED TO SPELL OUT PLANS FOR ADDITIONAL FOODGRAIN IMPORTS, PLEADING "NATIONAL INTEREST". DEBATE LASTED TWO HOURS.

5. DEBATE OCCURED ONLY TWO DAYS AFTER SPEECH BY PRIME

MINISTER AT MEETING OF CONGRESS MEMBERS OF PARLIAMENT IN WHICH SHE REPORTEDLY REFERRED TO "EXTREMELY DIFFICULT ECONOMIC" SITUATION WHICH "MIGHT WORSEN" DURING NEXT TWO MONTHS. WIDE PUBLICITY GIVEN TO PM'S REMARKS IN JULY 22 NEWSPAPERS APPARENTLY PROMPTED "CLARIFICATION" BY PARLIAMENTARY PARTY SECRETARY V.N. GADGIL PUBLISHED JULY 23. GADGIL CLAIMED PRESS REPORTS HAD EXAGGERATED MRS. GANDHI'S

STATEMENT ON ECONOMIC DIFFICULTIES.

6. COMMENT: THOSE DEFENDING GOI POLICIES REMAINED CLEARLY ON DEFENSIVE THROUGHOUT DEBATES. IT NOTEWORTHY THAT GOVERNMENT LEFT NON-MINISTERIAL DEFENSE TO KNOWN LEFTISTS.#

WITH ALMOST NO CHANCE OF ANY IMPROVEMENT IN ECONOMIC SITUATION BEFORE FALL HARVEST IS WELL UNDERWAY ABOUT THREE MONTHS HENCE, GOVERNMENT CAN EXPECT MORE PARLIAMENTARY NEEDLING DURING COMING WEEKS, ESPECIALLY WHEN POSTPONED NO CONFIDENCE MOTIONS DEBATED.

7. CONGRESS MP'S TELL US THERE IS GENUINE DISMAY AMONG ALMOST ALL MP'S, OF ALL POLITICAL COMPLEXIONS, ABOUT LACK OF DECISIVENESS ON THE PART OF THE GOVT AND SERIOUSNESS LIMITED OFFICIAL USE

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OF DOMESTIC SITUATION. ALL OTHER ISSUES ARE FADING INTO BACKGROUND AND FOREIGN POLICY IN PARTICULAR EXPECTED TO BE

ONLY PERFUNCTORY SUBJECT FOR DEBATE DURING CURRENT SESSION. MOVEMENT IS AFOOT AMONG MP'S FROM DROUGHT-AFFECTED AREAS TO STAGE WALKOUT AND RETURN TO HOME STATES AFTER ABOUT 10 DAYS OF SESSION TO DRAMATIZE SERIOUSNESS OF SITUATION IN STATES (ESPECIALLY UP, BIHAR AND RAJASTHAN). AT SAME TIME, MP'S ACKNOWLEDGE THERE LITTLE PARLIAMENT CAN DO TO AFFECT CURRENT SITUATION AND GOVERNMENT POLICIES.

8. THERE ARE SOME REPORTS THAT SPENDING MAY BE REDUCED

DRASTICALLY THIS FISCAL YEAR AS AN ANTI-INFLATIONARY MEASURE. HOWEVER, GIVEN LIMITED OPTIONS AVAILABLE IN

LOWERING NON-DEVELOPMENT SPENDING, ANY SIGNIFICANT CUTBACKS
WOULD HAVE TO BE MADE IN DEVELOPMENT OUTLAY.
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